

SPECIAL

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83-03146

STAT

DRAFT

Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed for consideration by the Congress is a bill "To omit cost-of-living adjustments in certain Federal retirement and disability programs for a specified period of time, and for other purposes." I urge prompt action by the Congress on this key proposal in the President's fiscal year 1984 Budget.

This draft bill would implement the Budget recommendation that there be a one-year freeze on cost-of-living adjustments (COLAs) in Federal employee retirement and disability programs. It would omit the fiscal year 1984 COLAs authorized under provisions of law governing the civil service, Foreign Service, and Central Intelligence Agency retirement systems; military retired and retainer pay and survivor benefits; and the Federal employee workers' compensation program. Subsequent COLAs under these laws would be computed in accordance with the provisions of present law.

The proposals included in the enclosed draft bill are an important element of the President's plan to reduce projected budget deficits to a level consistent with long-term economic recovery. As part of a general policy of postponing deferrable expenditures temporarily, the Federal Government, as an employer,

must take the same step that countless private businesses workers have been forced to take in order to forestall insolvency: deferral of raises for current and retired workers until financial conditions improve. The COLA freeze proposed in the draft bill would reduce outlays by an estimated \$_____ billion over the fiscal years 1984-1988.

The budget impact for each program is as follows:

(Outlays; in billions of dollars)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>Total</u>
Civil Service						
Retirement						
Foreign Service						
Retirement						
Central Intelligence						
Agency retirement						
Military retirement						
Workers' compensation						
(FECA)						

I recommend early and favorable action by the Congress on this feature of the President's fiscal policy to help reduce the growth of Federal spending and enhance the prospects for sustained economic recovery.

Sincerely,

David A. Stockman
Director

Enclosure

A BILL

To omit cost-of-living adjustments in certain
Federal retirement and disability programs for a specified
period of time, and for other purposes

Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled, that (a) the
cost-of-living increase in the Government employee injury compen-
sation benefit or retirement annuity or retired or retainer pay or
survivor or disability annuity prescribed by the provisions of law
set out in subsection (b) of this section, that would otherwise
take effect during the fiscal year ending September 30, 1984,
shall not be payable during that year or at any time thereafter.

(b) For the purpose of this section, the term "cost-of-living
increase in the Government employee injury compensation benefit or
retirement annuity or retired or retainer pay or survivor or
disability annuity" means the increase under--

(1) section 8340(b) of title 5, United States Code;

(2) section 8146a of title 5, United States Code;

(3) section 826 of the Foreign Service Act of 1980;

(4) section 291 of the Central Intelligence Agency ² Act of Retirement
1946₆₄ for Certain Employees (50 U.S.C. 403 note);

(5) sections 1401(b), 1434(e) and 1451(c) of title 10, United States Code, and section 4 of P.L. 92-425 and section 5 of P.L. 96-402;

(6) section 301(b)(1) of the Omnibus Budget Reconciliation Act of 1982, P.L. 97-253.

EXPLANATION

Subsection (a) provides that the scheduled fiscal year 1984 cost-of-living (COLA) increases in programs cited in subsection (b) will not take place then or later. Subsection (b) lists the provisions of law under which such increases would otherwise take place under the Civil Service, Central Intelligence Agency, Foreign Service, and military retirement programs, and the Federal Employees Compensation Act (workers' compensation); it also cites the section of the Omnibus Budget Reconciliation Act of 1982 which postponed by one month the scheduled COLA increases for Federal retirement programs in each of the fiscal years 1983 through 1985.